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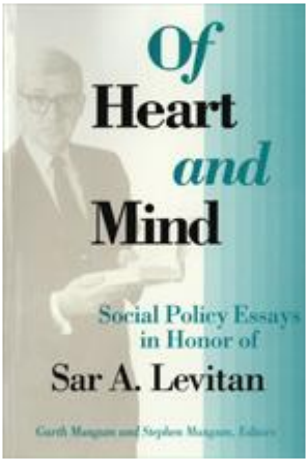

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CHAPTER 3

Young Workers, Young Families, and Child Poverty

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The nation's young adults face a diverse array of labor market problems. For example, during March 1994, nearly 29 percent of the nation's 18-29-year-olds in the adjusted civilian labor force were either unemployed, employed part-time for economic reasons, wanted a job but were not actively looking for work, or worked but were unable to earn enough to exceed the poverty threshold for their household size. The incidence of these labor market problems ranged from a low of 9.6 percent among those young adults completing 17 or more years of schooling to a high of 54 percent for those young adults lacking a high school diploma or GED.

In response to an array of research studies documenting the difficulties experienced by young people with no formal education beyond high school as they seek to enter the labor market, the U.S. Congress in 1994 enacted modest new school-to-work legislation (School-to-Work Opportunities Act of 1994) designed to encourage states to experiment with comprehensive approaches for improving labor market prospects for some high school graduates. Two years earlier, a comprehensive set of amendments to the federal Job Training Partnership Act (JTPA) also was approved, at least in part to respond to continuing concerns about the labor market problems of young Americans. Yet current policy debates continue to overlook and fail to respond in any meaningful way to the most severe and persistent labor market problem facing the nation's young adults—the sharp declines in their real (inflation-adjusted) weekly and annual earnings over the past two decades. These deteriorating earnings represent the greatest single threat to their future economic prospects, their ability to marry and form stable families, and their capacity to financially support their children. These earnings declines in many cases have persisted for more than two decades and, despite renewed job growth among young adults in 1993 and 1994, continue unabated. Current congressional proposals to consolidate federal job training programs and provide block grant monies to states offer no serious response to these profoundly disturbing trends, and current major reductions in federal funding for those JTPA training programs focused on economically disadvantaged youth may even exacerbate them. Pending welfare reforms completely ignore the problems of families arising from inadequate earnings among young adults and are largely rooted in the baseless premise that personal lack of motivation to work is the central economic issue for parents now receiving welfare benefits.

It is essential that the nation refocus its energies on the crucial economic challenges that lie ahead: bolstering the real earnings potential of young workers, providing a stronger economic foundation for young families, and reducing the growing incidence of child poverty and the enormous associated costs that it imposes on American society. Without future interventions to assist young dropouts and high school graduates on a scale far surpassing those currently in place, the patterns of falling earnings for young workers and rising poverty among young parents and their children will continue to erode the very foundations of the nation and undermine our future productivity and prosperity for generations to come.

Declining Weekly and Annual Earnings of Young Workers

During the past two decades, the real weekly earnings of many subgroups of workers have been stagnant or declining. Young workers (those under 25) have been most adversely affected by these developments. The inflation-adjusted median weekly earnings of males younger than 25 who were employed full-time fell by 31 percent over the 1973-94 period, while those of young women dropped by 14 percent (table 1). [1]

While older males (ages 25 and over) also experienced real weekly earnings declines during this period, the relative size of their wage declines was considerably smaller than among young men. During the late 1960s, the median weekly earnings of full-time employed young men were equal to nearly three-fourths of those of older men, allowing them to assume critical adult responsibilities at a relatively early age, to marry, and to provide adequate economic support for their families and children. By 1994, however, the median weekly earnings of these full-time employed young men had fallen to only one-half the size of those of older men.

Table 1. Median Real Weekly Earnings of 16-24-Year-Olds Employed Full-Time, by Gender, Selected years, 1973 to 1994 (in Constant 1993 Dollars)

Year	Men	Women
1973	$417	$315
1979	$388	$299
1982	$349	$293
1989	$316	$286
1994	$286	$271
Percent change:		
1973-1979	–7%	–5%
1979-1989	–19%	–4%
1989-1994	–9%	–5%
1973-1994	–31%	–14%

SOURCE. U.S. Bureau of Labor Statistics, findings from the Current Population Survey, Nominal weekly earnings have been converted into their constant 1993 dollars by the authors using the CPI-U-X1 index for the entire country.

While employed young men under 25 years of age experienced the most severe deterioration in their real weekly earnings position over the past two decades, other young males also suffered a steep decline in their real weekly earnings. For example, among men in the 25-34 age group, median real weekly earnings (in constant 1993 dollars) plummeted by 21 percent between 1974 and 1994 while full-time employed males ages 35-44 incurred an 8 percent drop in their real weekly earnings (table 2).

Table 2. Trends in the Median Real Weekly Earnings of Full-Time Male Wage and Salary Workers, 1974 to 1994, by Age Group (in Constant 1993 CPI-UXI Dollars)

Age group	(A) 1974	(B) 1994	(C) Absolute change	(D) Percent change
All	$568	$509	$–59	–10.4
Under 25	407	286	–121	–29.8
25-34	590	467	–123	–20.9
35-44	654	601	–53	–8.1
45-54	630	654	+24	+3.8
55-64	571	88	+17	+3.0

SOURCES: Bradshaw and Stinson 1975, U S Department of Labor 1995a
NOTE Data for 1974 are for May of that year, while the 1994 data are annual averages Prior to 1979, the weekly earnings data from the CPS were only collected once per year

In contrast, older men (45-64) actually earned slightly higher real weekly earnings in 1994 than they did twenty years earlier. The age structure of male earnings has changed markedly over the past two decades, with the size of the age-related differentials in weekly earnings widening considerably. In the early 1970s, employed men in the 25-34 age group obtained median weekly earnings that were only 6 percent below those of males in the 45-54 age group; by 1994 the differential was nearly 30 percent.

The sharp decline in the real weekly earnings of young men has contributed in a substantial manner to the severe drop in the *real annual earnings* of young adult men, particularly those without any post-secondary schooling; i.e., the so-called "Forgotten Half" (Commission on Work, Family, and Citizenship 1988). Mean annual earnings of the nation's young male adults (ages 20-29) in constant 1993 dollars peaked in 1973 at just under $20,800. After falling moderately through the late 1970s, the mean annual earnings of young men declined considerably in the recessionary and highly inflationary environment of 1980-82, improved by nearly 11 percent during the boom years of the mid- to late-1980s, and then fell again sharply in the early 1990s. By 1993, the mean annual earnings of young adult males had declined to $15,175, a 27 percent reduction from their peak 1973 level (table 3). The magnitude of this real earnings decline clearly constitutes a prolonged "silent depression" (See Peterson 1994). The mean level of real annual earnings of young men in 1993 was actually below that of 1959. No other demographic group has been so adversely affected by the transformation of the U.S. wage structure.

Table 3. Mean Real Annual Earnings of 20-29-Year-Old Males, Selected Years, 1967-93 (Constant 1993 CPI-UX1 Dollars)

Years	Mean earnings
1967	$18,875
1973	20,796
1979	20,033
1982	16,486
1989	18.244
1993	15,175
Percent change 1967-73	+10.2
Percent change 1973-93	-27.0

NOTE Earnings estimates in this table include those young men with no paid employment during the year

These trends stand in sharp contrast to those evidenced in the 1960s and the early 1970s when the nation's young adult men experienced sustained gains in their real annual earnings. Between 1959 and 1973, the mean real annual earnings of 20-24-year-old and 25-29-year-old men increased by 24 percent and 35 percent, respectively. These earnings gains were enjoyed by both black and white men and by young men in each major educational attainment subgroup, including high school dropouts. The rising affluence of young men allowed them to marry at high rates before they reached their mid-20s and to increasingly support their families and children at income levels well above the poverty line. Real incomes of young families (head under 30 years of age) rose sharply over this period, and poverty rates of young families, especially those with dependent children, fell sharply.

The year 1973 was a watershed year for both the national economy and the nation's young adult men. The mean level of real annual earnings obtained by young men that year remains the post-World War II high, and, as noted above, their average annual earnings have declined considerably since then. A diverse array of economic, social, and technological forces has been at work to produce these steep declines in young men's annual earnings, particularly among men with no formal schooling beyond high school. The nation's tolerance of higher aggregate unemployment rates, a reduction in year-round, full-time job opportunities for young men, shifts in the industrial structure of employment away from higher paying jobs in goods-producing sectors, and reduced earnings prospects for young men within most major industries have contributed to the deterioration in their real earnings position over the past twenty years.

The degree of deterioration in the economic fortunes of young men has varied considerably by their formal schooling backgrounds, with those with limited schooling being most adversely affected. Among those young male adults (20-29) with some employment during the year, median real annual earnings declined from $21,124 in 1973 to $14,589 in 1993, a drop of nearly 31 percent. (table 4).

The relative size of these median earnings declines was quite substantial for males in each major race-ethnic group, including white, non-Hispanics. Those men with more limited schooling, however, were characterized by the largest absolute and relative earnings losses, with employed high school dropouts experiencing a 42 percent drop and high school graduates with no post-secondary schooling a 36 percent decline in their median annual earnings. College graduates were not isolated from these developments; however, the relative size of their annual earnings losses was considerably smaller. As widely noted in the labor and education literature, the relative earnings advantages of young, male four-year college graduates improved markedly over the past two decades; however, none of this gain was attributable to a rise in their real earnings position. During 1993, the median real annual earnings of employed male four-year college graduates ($24,000) was actually only several hundred dollars above that earned by high school graduates twenty years earlier. Young male high school *graduates* in

1993 had median annual earnings that were several thousand dollars *below* those earned by comparable age male high school *dropouts* two decades earlier. Young men needed several more years of formal schooling to maintain the earnings power that existed for them in the early 1970s. As Sar Levitan would have noted, "longer" not necessarily "higher" education became more essential for labor market success among young adults. Nearly all of our national initiatives to address this problem have been aimed at keeping young men in school for longer periods of time.

Table 4. Median Real Annual Earnings of Employed 20-29-Year-Old Civilian Males by Race/Ethnic Origin and Educational Attainment, 1973 and 1993 (in Constant 1993 CPI-UX1 Dollars)

Group	(A) 1973	(B) 1993	(C) Absolute change	(D) Percent change
All	$21,124	$14,589	–6,535	–30.9
White, non-Hispanic	$21,678	$15,500	–6,178	–28.5
Black, non-Hispanic	$15,919	$11,800	–4,119	–25.9
Hispanic	$18,295	$11,500	–6,795	–37.1
Student	$4,898	$4,900	+2	0.0
Less than 12 years	$17,352	$10,000	–7,352	–42.4
12 years	$23,573	$15,031	–8,542	–36.2
13-15 years	$21,430	$18,000	–3,430	–16.0
16 years	$27,069	$24,000	–3,069	–11.3
17 or more years	$31,227	$28,200	–3,027	–9.7

The deterioration in the real annual earnings position of young men has been exacerbated by increased difficulties in obtaining any paid employment. Since the late 1960s, there has been a secular rise in the share of young men (20-29 years old) who report no paid employment whatsoever during the year. During 1967, only 4 percent of young men, including college students, reported no paid employment. By the end of the 1970s (a cyclical peak year), this ratio had risen to 6.5 percent. During the deep recession of 1981-82, the share of young men with no paid employment rose above 10 percent, then fell throughout the remainder of the 1980s as the economy generated a substantial number of net new jobs, and aggregate unemployment rates declined steadily. During the slow growth years of the 1990s, however, young men experienced greater difficulties in finding employment, and the share with no reported earnings rose above 10 percent in 1993, nearly double the rate prevailing in 1973.

The rise in the nonemployment rate of young adult men between 1973 and 1993 occurred in each major race-ethnic and educational attainment subgroup. This problem, however, became most intense among young black men and among those males lacking a high school diploma or GED certificate. During 1993, nearly two of every nine young Black men and one of every six high school dropouts reported no paid employment whatsoever. Given the importance of cumulative work experience in influencing earnings in later adult years, these findings do not bode well for their future labor market prospects. Work experience is both a source of annual earnings and an investment in one's human capital.

The rise in the share of young men with no paid employment during the year has been accompanied by a declining share of young men reporting full-time, year-round employment; i.e., 50 or more weeks of paid employment for an average of 35 or more hours per week. The fraction of young adult men employed year round, full time fell from 57 percent in 1973 to 52 percent in 1993. The decline was particularly steep among young black men (from 52 to 40 percent) and among both high school dropouts and high school graduates with no post-secondary schooling. Males with one to four years of college actually improved their ability to obtain year-round, full-time jobs over this time period..

The severe deterioration in the real annual earnings position of young men has reduced their ability to form independent households and to marry. Over the past twenty years, the fraction of 20-29-year-old men who remain living at home with their parents or other family relatives has increased from 32 percent to 43 percent, and the marriage rate of young men—those married and living with their spouses—has declined considerably from 58 percent in early 1974 to under 34 percent in 1993. These social trends have been driven in part by the relative decline in the earnings of young males.

One of the more widely used measures of the adequacy of workers' earnings is their ability to earn enough to lift a family of four above the poverty line. In 1993, the average weighted poverty threshold for a four-person family was $14,763. Findings in table 4 reveal that the fraction of young civilian males who were able to achieve this minimum earnings threshold in 1993 was slightly under 45 percent, representing a substantial drop from the 63 percent share who were able to do so in 1973. (table 5). Again, the declines in this minimum earnings adequacy measure were quite large among whites, blacks, and Hispanics. During 1993, only one-third of young black and Hispanic males had succeeded in obtaining an annual earnings level above the four-person poverty line.

Table 5. Percent of 20-29-Year-Old Civilian Males with Annual Earnings above the Four-Person Poverty Line, by Race/Ethnic Origin and Educational Attainment, 1973 and 1993

Group	(A) 1973	(B) 1993	(C) Absolute change
All	62.6	44.7	–17.9
White, non-Hispanic	64.9	49.7	–15.3
Black, non-Hispanic	49.2	32.9	–16.3
Hispanic	57.2	32.5	–24.7
Student	10.0	11.1	1.1
Less than 12 years	55.7	24.9	–30.8
12 years	75.1	50.4	–24.7
13-15 years	65.4	56.3	–9.1
16 years	76.7	68.6	–8.1
17 or more years	77.5	75.2	–2.3

All educational attainment subgroups with the exception of college students experienced a decline in their ability to obtain an annual earnings level above the four-person poverty line between 1973 and 1993.

Again, the declines in minimum earnings adequacy were considerably larger among those young men who had completed twelve or fewer years of schooling. The steep deterioration in the earnings capacity of young men with no post-secondary schooling has contributed in a substantive way to the decline in their marriage rates. Using a form of shift share analysis, we have estimated that the shifts in the distribution of dropouts and high school graduates across real earnings categories between 1973 and 1993 can account for 30 to 40 percent of the decline in their marriage rates over this time period. Unfortunately, the drop in their marriage rates was not accompanied by an equally large decline in their parenting rates; thus, a rapidly growing fraction of young families with dependent children now consist of single-mother and single-father families, whose poverty rates are considerably above those of married-couple families.

While the mean and median real annual earnings of young men were declining markedly over the past two decades, the earnings distribution for employed young men has become substantially more unequal (table 6). The share of total earnings from wages, salaries, and self-employment income received by employed men in the top quintile (fifth) of the earnings distribution has risen from 39.7 percent in 1973 to 43.5 percent in 1993, a relative increase of 10 percent. The top decile (tenth) alone increased their share of total earnings from 21 percent to 27 percent. Thus, all of the gain in the top quintile's share accrued to those earners in the top half of this quintile.

Table 6. Earnings Shares of Employed 20-29-Year-Old Civilian Males by Quintile of the Earnings Distribution, 1973 and 1993 (in percent)

Quintile	(A) 1973	(B) 1993	(C) Absolute change	(D) Percent change
Bottom	3.6	2.9	–0.7	–19
Second lowest	11.8	9.9	–1.9	–16
Middle	16.8	17.0	0.2	1
Second highest	28.1	26.7	–1.4	–5
Highest	39.7	43.5	3.8	10

This growing earnings inequality among young men reflects sharp growth in the size of the earnings differentials between the best-educated males and their less-educated counterparts. Formal education is sorting the winners and losers in U.S. labor markets more strongly than before. However, even within most educational attainment subgroups, earnings inequality also widened; this was particularly true for high school dropouts and for those high school graduates lacking any post-secondary schooling, but was not true of those completing four or more years of college.

The steep annual earnings declines of young men over the past two decades have been accompanied by fairly sizable reductions in their access to key employee benefits, including health insurance coverage and pension coverage.[2] Young adult males (20-29) are the most poorly insured age/gender group in the United States, and their health insurance coverage has declined over time (table 7)

Table 7. Percent of 20-29-Year-Old Civilian Males with Some Form of Health Insurance and Employer-Financed Health Insurance by Race/Ethnic Origin and Educational Attainment, 1979 and 1993

Any Health Insurance	(A) 1979	(B) 1993	(C) Absolute change	(D) Percent change
All	79.4%	66.7%	−12.7	−16
White, non-Hispanic	82.0%	73.4%	−8.7	−11
Black, non-Hispanic	68.4%	58.1%	−10.4	−15
Hispanic	68.0%	43.1%	−24.9	−37
Other, non-Hispanic	67.7%	64.3%	−3.4	−5
Student	66.5%	74.2%	7.7	12
Less than 12 years	69.6%	42.4%	−27.2	−39
12 years	82.0%	64.3%	−17.7	−22
13-15 years	81.2%	70.1%	−11.0	−14
16 years	89.2%	81.7%	−7.5	−8
17 or more years	92.6%	91.4%	−1.2	−1
Employer-financed health insurance				
All	56.1	38.6	−17.5	−31%

During 1979, just under 80 percent of the nation's young adult men (ages 20-29) were covered by some form of health insurance coverage at work, at school, through the plan of their spouse or another family member, through a self-purchased plan, or through Medicaid. By 1993, their incidence of health insurance coverage of any type had declined to 67 percent. These declines in coverage occurred among young men in every major race/ethnic group and in all educational attainment subgroups. The relative and absolute size of these declines were most severe among Hispanics, high school dropouts, and high school graduates lacking any post-secondary schooling. During 1993, health insurance coverage rates for young adult men ranged from lows of 42 percent for those lacking a high school diploma to a high of 91 percent for those men having completed one or more years of college beyond the bachelor's degree.

Expectations that young adults will generally enjoy relatively good health have diminished concern for this phenomenon. During 1992, however, one of every six young men (20-29) who reported no employment during the year cited "illness or disability" reasons for not working.[3] Among high school dropouts and graduates with no post-secondary schooling, nearly 30 percent cited health-related reasons for their inability to secure any employment during that year. Substantial growth in the SSI disability caseloads among young adults also provides evidence of growing health-related labor market problems (including substance abuse) that do not bode well for the future labor force participation of such men.

The same trends mark access to pensions which has also plummeted for young men since the late 1970s. During 1979, only 37 percent of young men (20-29) were covered by a pension plan at their work site; however, by 1993, their pension coverage rate had dropped to 23 percent. With the exception of students, pension plan coverage has fallen for males in each educational attainment subgroup, with high school dropouts and those completing only twelve years of school experiencing the most severe declines in coverage. During 1993, pension plan coverage rates ranged from 9 percent for high school dropouts to a high of 43 percent for males completing one or more years of schooling beyond the bachelor's degree. In a recent address to the nation's newspaper writers, President Clinton commented on the existence of a growing economic divide in the United States and claimed that formal education was its "fault line." This finding appears to be particularly true of the widening economic inequalities among the nation's young men in the mid-1990s.

The Influence of the Changing Industrial Structure of Jobs

A number of potential explanations of the declines in the average earnings of young men have been advanced by labor market analysts and sociologists (see Johnson and Sum 1987; Kasarda 1985; Sum and Fogg 1991). Most supply-side explanations (with the exception of increased immigration) have little validity, particularly in explaining earnings declines during the past decade, since the absolute number of young male adults has been declining, the formal educational attainment of young men has improved, and a higher fraction of 20-29-year-olds in recent years were in their mid- to late-20s relative to the situation in 1973. Slightly higher mean ages should imply a greater number of years of potential work experience and higher expected earnings.

Among the demand-side explanations for the declining annual earnings of young men has been the shift in the industrial structure of job opportunities, especially the loss of jobs in key goods-producing industries and the increased movement of young men into the retail trade and selected private service industries (business services, personal and entertainment services) with their attendant lower wage levels. The reduction in the relative share of job opportunities for young men in key manufacturing, mining, transportation, communications, and utilities industries—combined with important changes in the occupational staffing patterns of these industries and hiring policies of employers—have had the effect of decreasing the number of skilled and semiskilled blue collar jobs for young men, especially those with no post-secondary schooling.

Comparisons of the industrial structure of the jobs held by employed young men in 1973 and 1993 clearly reveal a shift in employment away from most goods-producing industries (especially durable manufacturing) and the relatively high-wage transportation, utilities, and wholesale trade sectors toward retail trade and the nonprofessional service industries (table 8). In 1973, nearly 30 percent of employed young males held jobs in the nation's manufacturing industries; however, by 1993, their share of jobs in this sector had declined to 19 percent, with major losses occurring in the more heavily unionized durable goods-manufacturing industries (primary metals, fabricated metals, automobile production). Employment shares also declined in mining, construction, transportation, public utilities, and wholesale trade. Retail trade and nonprofessional service industries became major employers of young men, with their combined share rising from 22 percent in 1973 to just under 38 percent in 1993. Retail trade industries became the dominant employer of young men by 1993, with eating and drinking establishments and convenience stores absorbing a substantial number of young men within this sector.

Table 8. Distribution of Employed 20-29-Year-Old Civilian Males by Major Industry, 1973 and 1993

Major industry group	(A) 1973	(B) 1993	(C) Absolute change
Farming, forestry, fishing, mining	4.8%	4.9%	0.1
Construction	11.9%	10.2%	–1.7
Durable manufacturing	19.1%	10.9%	–8.1
Nondurable manufacturing	10.1%	7.7%	–2.4
Transportation, communication, & utilities	7.7%	6.6%	–1.1
Wholesale trade	4.8%	4.1%	–0.8
Retail trade	15.1%	23.5%	8.5
Finance, insurance, real estate	3.8%	3.7%	-0.1
Professional services	10.6%	11.2%	0.6
Other services	7.2%	14.0%	6.8
Public administration	4.8%	3.1%	–1.7

Given the prevailing interindustry wage structure in 1973, these sectoral employment shifts by themselves would have been expected to generate modest earnings declines for young men over the past two decades. During 1973, the mean annual earnings of employed men in durable manufacturing industries were 9 percent above the average for all employed young men, and those employed in transportation/communications and wholesale trade earned annual wages 14 to 16 percent above the average (table 9).

Table 9. Mean Real Annual Earnings of Employed 20-29-Year-Old Civilian Males, by Major Industry Group, 1973 and 1993

Major industry group	(A) 1973	(B) 1993	(C) Absolute change	(D) Relative change
Farming, forestry, fishing, mining	$16,808	$12,642	–4,165	–25%
Construction	$21,800	$17,231	–4,569	–21%
Durable manufacturing	$24,022	$19,925	–4,097	–17%
Nondurable manufacturing	$22,713	$19,667	–3,045	–13%
Transportation, communication, & utilities	$25,423	$20,898	–4,525	–18%
Wholesale trade	$24,961	$19,237	–5,725	–23%
Retail trade	$18,896	$12,690	–6,206	–33%
Finance, insurance, real estate	$26,105	$25,361	–743	–3%
Professional services	$20,330	$17,158	–3,173	–16%
Other services	$17,405	$14,541	–2,864	–16%
Public administration	$26,330	$25,925	–405	–2%

Retail trade and other service industries, which rapidly expanded their shares of employed men, were characterized by mean annual earnings levels 14 to 21 percent below the average in 1973. Thus, the observed interindustry employment shifts would have been expected to exert some downward pressure on young men's earnings in the absence of sustained productivity gains in these sectors.

A careful review of the annual earnings data by major industry for 1973 and 1993 reveals that young men also experienced substantial earnings declines within most of these eleven industrial sectors. Excluding the finance/insurance and public administration sectors, which together employed only 7 percent of young males in 1993, the estimated relative sizes of these annual earnings declines ranged from 13 percent in nondurable manufacturing to 33 percent in retail trade.

A modified form of shift-share analysis can be used to illustrate the contribution of each of the above two factors (interindustry shifts in employment *and* declining real earnings within industries) to the observed decline in the mean annual earnings of employed young men between 1973 and 1993. If the interindustry distribution of jobs in 1993 had been identical to that of 1973 but real earnings within each major sector remained at their 1993 levels, then the mean annual earnings of young men during that year would have been $17,971 rather than the $16,916 actually observed in 1993. The interindustry shifts in employment would have been expected to reduce real 1993 annual earnings by $1,055, or only 21 percent of the actual observed decline. The overwhelming share (82 percent) of the earnings decline of young adult men was attributable to steep earnings reductions within most industrial sectors.

Earnings declines within sectors are due in part to shifts in employment toward industries in lower-paying segments of each sector (e.g., the greater movement away from employment in steel, metals manufacturing, machinery, and auto-related industries in the durable manufacturing sector and the shift toward eating and drinking establishments within retail trade). In 1973, the number of 20-29-year-old men employed in metals, machinery, and auto-related manufacturing industries was 1.92 million, nearly six times as many as were employed in eating and drinking establishments. By 1993, there were nearly twice as many men in eating and drinking firms (1.36 million) as in all of the above manufacturing industries. Part of the earnings decline, however, is due to the fact that many employers were able to reduce entry-level wages for jobs occupied by young men, especially those outside of the traditional college labor market.

Within certain key segments of the retail trade sector, such as eating and drinking establishments, food stores, grocery stores, and variety stores, the failure of real wages to rise is attributable to the decline in labor productivity in these industries over the 1973-92 period (see U.S.Department of Labor 1995c). The sizable earnings declines for young men within manufacturing, however, cannot be explained by productivity factors. Output per hour of labor in the nation's manufacturing industries is estimated to have increased by more than 40 percent between 1979 and 1993.[4] These large productivity gains, however, were not shared by most manufacturing workers, especially blue-collar production workers whose real hourly earnings actually declined over this period (see Sum and Goicoechea 1991). Productivity gains, thus, seem to be necessary but not sufficient for boosting the real earnings of young males in the current U.S. economy.

Training Experiences of Young Adults

The sizes of the annual earnings differences between male college and high school graduates and between high school graduates and dropouts tend to widen considerably as they move through their adult years. Among the possible explanations for the increasing size of the gaps between the age-earnings profiles of workers by years of formal schooling are the impacts of greater training investments (both formal and informal and both on-the-job and off-site) in better-educated workers. A number of recent longitudinal and cross-sectional studies of the training experiences of young adults reveal that the likelihood of young workers receiving training from their employers tends to vary significantly by both their years of education and their literacy proficiencies (see Veum 1993).

Findings of the January 1991 CPS survey on the training experiences of U.S. workers can be used to provide insights on this set of issues. The survey captured information on the receipt of training by employed workers (16+) since they were hired for their current job. Findings for employed young adults (20-29, both sexes combined) reveal that nearly three of every eight had received some training to improve their skills since being hired (table 10). However, the incidence of their receipt of such training varied widely by years of schooling completed, ranging from a low of 18 percent for those young adults lacking a high school diploma to a high of 53 percent for those completing 16 or more years of schooling. The personal economic payoffs from training to improve skills in the form of higher weekly earnings to dropouts and high school graduates appeared to be quite sizable at the time of the survey (see Eck 1993).

Table 10. Training Experiences of Employed 20-29 -Year-Olds, (Men and Women) by Educational Attainment: U.S., 1991 (N = 21.2 Million)

Training status	(A) All	(B) Less than 12 years	(C) 12 years	(D) 13-15 years	(E) 16 or more years
Received some training to improve skills since being hired	36.6	17.9	30.2	40.2	52.9
Percent of training in a formal company training program	36.7	25.4	31.7	35.4	45.4
Percent of training in informal on- the-job training	42.0	62.1	48.6	44.1	29.3
Received some training to improve skills in a formal company program	13.4	4.5	9.6	14.2	24.0

SOURCE January 1991 CPS survey, Job Training Supplement, tabulations by Center for Labor Market Studies, Northeastern University.

Among those young adults obtaining some training to upgrade their skills, the types of training received also varied markedly by years of schooling completed. Four-year college graduates were much more likely than their less-educated counterparts to obtain formal training from their employers, while school dropouts and high school graduates were more likely to receive informal on-the-job training. When the receipt of any type of training and the incidence of formal training are taken jointly into consideration, the gaps in formal training among schooling groups widen considerably. Fewer than 5 percent of young high school dropouts had received any formal training from their employers since starting their current jobs versus 10 percent of high school graduates and 24 percent of four-year college graduates. Formal company training has been found to have the most consistent and largest economic payoffs to workers while informal on-the-job training has much more moderate and less-persistent earnings effects (see Lynch 1994). The training investments of the nation's employers, thus, likely have a considerable influence on the expected lifetime earnings of workers and contribute in an important way to the rising earnings differentials between the best- and least-educated workers in American society.

Trends in the Economic Well-Being of Young Families and Their Children

The state of affluence among families in the United States has often been represented by the real income level of the average American family, and the median income is most often used to portray the average. Following a more than doubling in its real value between 1949 and 1973, the median real income of U.S. families has been basically stagnant over the past two decades. While real family incomes continue to rise during periods of sustained economic growth and fall during recessions, the long-term secular trend over the past two decades has yielded just a 3 percent rise. Given the steep declines in the real earnings of many young male adults and the continued growth in the share of single-parent families among young families, one would expect that young families (those headed by a person under 30 years of age) would have faced greater difficulties than their older counterparts in maintaining their real incomes over the past twenty years. Such unfortunately was clearly the case. Between 1973 and 1992, the median real income of the nation's young families declined by 20 percent, while families with a householder between 30 and 64 years of age experienced a moderate increase (4 percent) in their living standard over this time period. The nation's elderly families (those with a householder 65 and over) fared the best over the past twenty years, experiencing a 34 percent rate of growth in their median income at a time when their numbers were rising rapidly.

Families with one or more own children (under 18 years of age) present in the home have experienced real income losses over the past two decades, while families without children boosted their median real incomes by just under 14 percent. These differences were particularly pronounced among the nation's young families. Young families with one or more own children in the home were characterized by a one-third drop in their median real income, while young families without children boosted their real income by 4 percent over the 1973-92 period. By 1992, the median income of young families without children ($35,000) was nearly twice as high as that of families with children. The latter group of young families contained a growing share of single-parent families (including a growing number of single-father families) and were more likely than childless families to be headed by young adults with no post-secondary schooling. Their deteriorating economic position was thus influenced by a combination of demographic forces and the changing structure of earnings for young adults with more limited formal schooling.

Trends in the real income position of the nation's young families varied widely by type of family and the educational attainment of the householder. Young married couple families came closest to maintaining their purchasing power over the 1973-92 period; however, married couple families with children fared considerably worse than their counterparts who remained childless (–10 percent versus +5 percent). By having the wife participate more frequently and intensively in the labor market and by postponing childbearing, young, childless married couple families were able to moderately improve their real income position over the past few decades. Young male- and female-headed families with no spouse present incurred substantial declines (–21 percent and –24 percent) in their median real incomes over the same time period. The absence of a second earner to cushion the income declines from the reduced earnings power of the head was largely responsible for this set of findings. By 1992, young female-headed families had a median income of less than $8,000, only one-fourth the size of the median income of young married couple families. The frequent absence of any child support income for young single-parent families kept their incomes quite low. Fewer than one of six single never-married mothers under the age of 25 reported to have received any child support income during 1992.

Changes in the economic fate of young families have been strongly associated with the educational attainment of the householder. Young families headed by an individual lacking a high school diploma experienced a 47 percent decline in their median real incomes over the past two decades, while those headed by a high school graduate fared only marginally better (–37 percent). In sharp contrast, those young families headed by a four-year college graduate improved their real income position by 14 percent, a result entirely due to the increased annual earnings of the wives in such families.

Given the steep decline in the average real incomes of young families and growing income inequality among such families, one would expect poverty problems to have intensified, particularly among those young families with children. Progress in reducing overall family poverty problems on a sustained basis came to an end in 1973. The poverty rate for all families in the United States was 11.7 percent in 1992, three full percentage points or one-third higher than in 1973. All of the rise in the overall family poverty rate was attributable to families with children. During 1992, slightly more than 17 percent of all such families were poor, a near two-thirds rise from their poverty rate of 1973. Young families with children experienced the largest absolute and relative rise in poverty, with their poverty rate more than doubling to 35 percent by 1992. All of the important gains achieved in reducing poverty problems among the nation's young families with children between 1959 and 1973 were completely eliminated by 1992.

The nation's children have been most profoundly affected by these family income and poverty developments. Between 1973 and 1992, the poverty rate among all children (under 18) living in families rose from 13 percent to just under 21 percent, substantially surpassing the poverty rate of adults. Children had become the most poverty prone group in American society. Children residing in young primary families were most severely impacted by these developments, with the poverty rate of these children more than doubling over the past two decades. By 1992, slightly more than 42 percent of the children in the nation's young families were poor.

Poverty rates among children in young families rose in each family subgroup, including married couple families as well as single-parent families and among whites as well as among Asians, blacks, and Hispanics. In fact, poverty rates among children in young married couple families rose more rapidly in relative terms, nearly tripling over this time period, and the poverty rate among white, non-Hispanic children more than doubled, rising to nearly 30 percent by 1992. Despite their lower relative increases in poverty rates over this period, children in young black and Hispanic families remained highly poverty prone in 1992. During that year, seven of every ten black children and a slight majority of Hispanic children (52 percent) in young families were living in poverty conditions. Given the adverse influence of poverty living conditions on many aspects of child development, these trends are likely to have severe adverse consequences for the nation's economic and social future.

The Growth of Young Subfamilies

All of the above analyses of the real incomes and poverty status of young families have been based on the experiences of primary families, i.e., those young families that occupy their own separate living quarters. Over the past two decades, however, there has been a growing number of young families with children who either remain in the home of their parents or other relatives (related subfamilies) or share the household living quarters of others to whom they are not related (unrelated subfamilies). Since the early 1980s, the U.S. Census Bureau has made a more concerted effort to explicitly identify the number of such subfamilies in the CPS household survey. The number of such subfamilies headed by a person under 30 years of age is quite considerable (nearly 1.9 million in March 1994), and nearly 90 percent of these young subfamilies have one or more own children under 18 living with them.

Between 1983 and 1993, the estimated number of young subfamilies with children increased from 1.54 million to 1.69 million while the number of primary young families with children was actually declining as a consequence of a reduced number of young adults and declining marriage rates. During 1983, these young subfamilies with dependent children accounted for just under 19 percent of the total number of young primary families and subfamilies with a child. By 1993, however, these young subfamilies, most of whom are headed by a single parent, accounted for nearly 22 percent of all young families and subfamilies with children.

Given the high fraction of young related subfamilies that consist of single-parent families and the limited schooling and work experience of the subfamily householders, many of these subfamilies with children have very low incomes and would be classified as poor if they did not live with their parents or other relatives with higher money incomes. While the poverty status of unrelated subfamilies is determined solely on the money income of the subfamily, the poverty status of these related subfamilies and their children is based on the combined money income of all related members of the family household. During March 1993, there were 2.33 million children living in young subfamilies. Using existing Census Bureau procedures for classifying their poverty status, somewhat more than 845,000 of these children, or 36 percent, were residing in poor families. If the poverty status of these children had been based solely on the money incomes of the subfamilies to which they belonged, then 1.67 million or 72 percent of them would have been classified as poor. Combining the findings for children in young primary families with those in all young subfamilies, nearly *48 percent* of all children in the nation's young families and subfamilies would have been classified as poor in early 1993.

Children raised in poor families face a number of critical developmental problems, including malnutrition, poor health care, limited cognitive skills, inadequate housing, and more limited exposure to high-quality preschool educational services, that often have long-term consequences for their educational attainment, intellectual development, parenting behavior, and criminal justice experiences.[5] Given the increasing importance of human capital investments for the labor market success of adult workers and the economic growth of the nation, the existence of these extraordinarily high rates of child poverty among young families and subfamilies does not bode well for the nation's social or economic future.

Policy Options for Strengthening Young Worker Earnings and Family Incomes

The deterioration in the economic fortunes of many young workers and families over the past two decades has been quite severe and pervasive, especially among those young adults who did not graduate from college. Given the multiple sources and causes of these declines in real earnings and incomes, there is no single economic strategy or public policy intervention that by itself will ensure the future economic well-being of young workers and their families. Concerted and coordinated actions, both private and public, now are needed to address these problems. Forthcoming demographic developments, including a sustained rise in the number of 18-24-year-olds as we move through the end of the 1990s decade, will create new labor supply pressures and may exacerbate the problem of declining real earnings for many young adults. Yet initiatives on a variety of fronts, including macro-level labor market developments, innovative school programs, employer practices, and public policy interventions at the national, state, and local level, could contribute to a substantive improvement in the future economic fortunes of young adults and families.

First, high rates of job growth and the attainment of full employment conditions in the nation's labor markets (an overall unemployment rate ranging from 4 percent to 5 percent) would facilitate a steady expansion of employment opportunities for young male adults and provide increased access to year-round, full-time jobs, especially for those males with no post-secondary schooling and African-American males. A strong labor market also disproportionately increases in-school employment opportunities for high school students. Early work experience has favorable short- and long-term impacts on the post-high school employment and earnings experiences of high school graduates, particularly those not enrolling in four-year colleges and universities.

Second, continuing efforts must be made by state and local educational agencies to increase high school graduation rates and improve the basic academic proficiencies of all high school students, especially those from economically disadvantaged families and from race-ethnic minority groups. Findings from the National Longitudinal Survey of Youth (NLSY) on the adult poverty experiences of poor adolescents reveal that those youth who completed more years of formal schooling and obtained stronger basic skill proficiencies were far more successful in avoiding poverty problems in their mid- to late-20s. Similar strong relationships between schooling/basic skills and adult poverty status also prevailed among those adolescents who lived in families with incomes above the official poverty line. State and local school improvement initiatives, reinforced by federal investments targeted on disadvantaged children, can make an important difference in this area.

Third, there is a critical need for expanding formal training activities for young adults at the workplace, both in the private sector and in government agencies. Research has revealed that apprenticeship training and formal training from employers has consistently generated large economic payoffs for workers. Unfortunately, members of the nation's "Forgotten Half" are considerably less likely than college graduates to receive formal training from their employers, and few (under 3 percent) participate in a formal apprenticeship training program within the first six years following high school graduation. Under the newly enacted School-to-Work Opportunities Act of 1994, state and local education agencies, including community colleges, should work closely with employers and labor unions to expand formal training and apprenticeship opportunities for young adults. Financial incentives for both students and employers to participate in such programs should be provided, including the ability of students to use Pell grants to purchase certified formal training from private sector employers, the use of state UI trust funds to encourage industrywide formal training activities and new apprenticeship programs, and the use of federal workforce development funds by states to expand formal company training opportunities for entry-level workers with no post-secondary schooling.

Fourth, young workers need to obtain jobs in a more diversified set of industries and firms, including larger employers in goods-producing industries, professional service industries, and government agencies. Sustained efforts should be made by high school training programs, postsecondary education and training programs, the Job Service, and JTPA Private Industry Councils to work with private sector firms and government agencies to reduce the high concentration of young adults employed in retail trade and nonprofessional service industries.

Fifth, high schools, community colleges, and local training agencies should be encouraged to work closely with private sector employers in retail trade and private service industries (which are expected to account for 70 percent of the net increase in employment over the next ten years) to restructure existing jobs so that entry-level workers can become more productive and stable, thereby allowing them to earn higher hourly wages and obtain key employee benefits, including health insurance.

Sixth, efforts to strengthen the real income position of young families must focus upon increasing the real earnings potential of the family householders, both men and women. Many of the above policy recommendations would assist in achieving this objective; however, other actions could help complement these policies. The expanded Earned Income Tax Credits (EITC) for low income families with children enacted in 1993 should be maintained by the Congress. Many young families with children would benefit from these larger tax credits. Expanded health insurance coverage for low-income families with children and increased child care assistance for parents in low-wage jobs would boost their financial stability and strengthen economic incentives to work. The federal and state governments also should experiment with wage subsidies for welfare recipients to increase incentives to work and to boost their disposable incomes from paid employment. Early findings from the Canadian Self-Sufficiency Project, which was designed to supplement earnings from employment for former public assistance recipients, suggest that such programs can boost both employment rates and net incomes ("Canadian Research Focuses on Many Employment/Unemployment Aspects" 1995). Such efforts, if combined with steady increases in the minimum wage to offset erosion in its real value due to inflation, could reduce reliance upon welfare and poverty among young working families.

Seventh, national, state, and local governments should provide greater economic incentives for young adults to form married-couple families through joint investments in their human capital. Additional earned income tax credits at the state level for low-income married-couple families, expanded access to health insurance coverage for young workers and their children, and priority status in housing allowance and home buyer assistance programs all deserve consideration by policy makers. Family investment plans that outline the responsibilities and obligations of young family heads and their spouses for the receipt of such assistance could be developed at the local level through family investment centers that contained representatives of key local and state employment and training, health, housing, and social service agencies (see Levitan, Pines, and Mangum 1989).

Finally, the federal and state governments must expand the awarding and enforcement of child support orders for all absent fathers and mothers, especially among the young and unwed. Single, never-married mothers under the age of 30 are the least likely to receive any formal child care support from absent fathers.[6] These are the same families that are most likely to be poor, and they experience the most severe poverty income deficits. Efforts to improve the earnings capacity and parenting responsibilities of young absent fathers also should be promoted. The higher the annual earnings of young absent fathers, the more likely they are to pay child support on a regular basis and the higher will be their average level of child support payments. Fathers who have strong ties with their children and visit them frequently also are significantly more likely to pay child support. Unfortunately, few existing employment and training programs are designed to simultaneously improve young fathers' employability and earnings capacity, as well as their daily relationships with their children.

The economic plight of young workers and young families has intensified over two decades, and the powerful forces driving their real earnings and incomes downward will not be reversed easily or quickly. Yet the nation must turn its attention to this essential task. If serious responses are not developed and sustained over time, there is little hope of reversing the increases in out-of-wedlock childbearing and child poverty that now place the well-being of future generations of Americans in grave jeopardy.

NOTES

1 The more conservative CPI-UXI index of the U.S. Bureau of Labor Statistics rather than the CPI-U index was used to convert the nominal weekly earnings for young men and women into their constant 1993 dollar equivalents. Use of the CPI-U index would have increased the estimated size of the weekly earnings declines between 1973 and 1994 by a little more than 6 percent

2 For an earlier review of trends in health insurance coverage among all young adults through the late 1980s, see Sum and Fogg (1991a).

3 For evidence on these issues, see Sum, Heliotis, and Fogg (1993)

4. For a review of labor productivity trends of the nation over the past twenty years, see U S. Department of Labor (1995b).

5. For a comprehensive review of the long-term personal and social consequences of childhood poverty, see Sherman (1994)

6 For a review of national evidence on this issue for young absent fathers in the mid-1980s, see Sum and Ostrower (1994).

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